

BEFORE THE  
WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 59

Served September 7, 1961

IN THE MATTER OF:

Application of Alexandria, Barcroft )	
and Washington Transit Company for )	
Authority to Increase Fares Between )	Docket No. 5
the District of Columbia and Points )	
in Virginia, Except to Governmental )	
Installations )	

IN THE MATTER OF:

Application of D. C. Transit System, )	
Inc., Alexandria, Barcroft and )	
Washington Transit Company and )	
Washington, Virginia and Maryland )	Docket No. 7
Coach Company, Inc., for Authority )	
to Increase Fares Between the )	
District of Columbia and Govern- )	
mental Installations in Virginia )	

APPEARANCES IN DOCKET NO. 5

S. Harrison Kahn, Attorney for Alexandria, Barcroft and Washington Transit Company.

William J. Hassan, Attorney for Protestant, Arlington County Board, Arlington, Virginia.

Russell W. Cunningham, General Counsel, Washington Metropolitan Area Transit Commission.

Ernest W. Grove, Mr. Chandler, Peter J. Kostik, Mary Cook Hackman, Boris Yane, individual protestants.

APPEARANCES IN DOCKET NO. 7

John R. Sims, Jr., Attorney for D. C. Transit System, Inc.

S. Harrison Kahn, Attorney for Alexandria, Barcroft and Washington Transit Company.

Manuel J. Davis, Attorney for the Washington, Virginia and Maryland Coach Company, Inc.

Irving S. Schlaifer, for Owner-Driver, Rental-Driver Taxicab Association.

Russell W. Cunningham, General Counsel, Washington Metropolitan Area Transit Commission.

Each of these cases involves applications for fare relief between the District of Columbia and points and places in Virginia and will be disposed of in a single order.

Each case was pending before the Interstate Commerce Commission, in one form or another, on March 22, 1961, the date this Commission came into official existence.

The Interstate Commerce Commission, by formal order entered June 2, 1961, ruled that it had lost jurisdiction over these cases, effective March 22, 1961, and held that this Commission was the proper authority to dispose of same.

The term "governmental installation in Virginia" refers generally to the area encompassed by the Pentagon Building, Navy Annex and the Washington National Airport.

The proposed increase in fares between the District of Columbia and points in Virginia, other than the governmental installations in Virginia, was proposed by the Alexandria, Barcroft and Washington Transit Company, hereinafter referred to as A. B. & W., in its Tariff MP-I.C.C. 42, scheduled to become effective on March 20, 1961. The Interstate Commerce Commission suspended said Tariff pending an investigation and hearing. Thus, the proposal of A. B. & W. to increase its fares is pending before this Commission in Tariff MP-I.C.C. No. 42.

By Supplement No. 1 to WMATC Tariff No. 2, filed with this Commission on June 24, 1961, Washington, Virginia and Maryland Coach Company, Inc., hereinafter referred to as W. V. & M., proposed to increase its fares, effective July 24, 1961, between the District of Columbia and governmental installations in Virginia.

By Supplement No. 1 to WMATC Tariff No. 1, filed with this Commission on June 19, 1961, A. B. & W. proposed to increase its fares, effective July 19, 1961, between the District of Columbia and governmental

installations in Virginia. By Supplement No. 1 to WMATC Lawson Tariff No. 1, Richard F. Lawson, Agent, filed with this Commission on June 19, 1961, D. C. Transit System, Inc., A. B. & W. and W. V. & M. proposed to increase existing interline passenger fares, effective July 18, 1961, between the District of Columbia and the governmental installations in Virginia.

By appropriate orders, the Commission suspended the aforementioned Tariffs, pending an investigation and hearing. Although the periods of suspension for some of the Tariffs have expired, the Applicants have voluntarily agreed to stay the effective dates of the Tariffs until the Commission has rendered its opinion in these cases.

After due notice, given pursuant to the Commission's Rules and Regulations, public hearings were held on each of these cases starting on July 14, 1961, and held at intermittent dates until August 23, 1961, with ample opportunity for any interested party to be heard. Certificates of Notice have been made a part of the record.

The records compiled in these cases are very voluminous, consisting of several volumes of oral testimony and numerous exhibits. The testimony of the witnesses evidenced a thorough knowledge of all matters testified to, and the Commission concludes that these cases have been documented sufficiently to allow the Commission to render a fair and just decision.

In arriving at the order which follows, the Commission was mindful of its primary responsibility under the Compact. The Washington Metropolitan Area Transit Commission was created through an interstate compact entered into by and between the District of Columbia, the Commonwealth of Virginia and the State of Maryland, with the consent of Congress, to control and regulate mass transportation in the Washington Metropolitan District in place of separate regulation by the District of Columbia, the Maryland Public Service Commission, the Virginia State Corporation Commission and the Interstate Commerce Commission. The primary responsibility of the Commission is to provide a coordinated transportation system by the various carriers in order to bring about improvements in transit and to alleviate traffic congestion. The Commission has been given specific authority to require the establishment of through routes and joint fares among the various carriers in order to better coordinate existing transportation facilities in the Washington Metropolitan District. By this order, the Commission is requiring the establishment of joint fares as the first step toward a better coordinated transit system.

The Commission views seriously the traffic problem in the Washington Metropolitan District. It would appear that the immediate solution to the traffic congestion problem is the movement of more people by fewer vehicles.

The immediate goal of the Commission is to raise the service standards of transit sufficiently to make mass transportation more attractive. More frequency of service by more modern equipment will improve service standards. The Commission's policy is that within a reasonable time all carriers will be required to operate all base schedules on weekdays and all schedules on Saturdays and Sundays with air-conditioned equipment. Improvements in service standards necessarily involve additional costs to the carriers and must be offset by additional revenue obtained from fares paid by the riding public. Section 6(a)(3) of Article XII, Title II, of the Compact provides as follows:

"(3) In the exercise of its power to prescribe just and reasonable fares and regulations and practices relating thereto, the Commission shall give due consideration, among other factors, to the inherent advantages of transportation by such carriers; to the effect of rates upon the movement of traffic by the carrier or carriers for which the rates are prescribed; to the need, in the public interest, of adequate and efficient transportation service by such carriers at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable such carriers, under honest, economical, and efficient management, to provide such service."

The Commission expects the carriers to invest additional funds required to improve service standards and will allow sufficient earnings to make such investments attractive.

The Commission will first discuss the applications seeking authority to increase fares between the District of Columbia and the governmental installations in Virginia.

D. C. Transit System, Inc., A. B. & W. and W. V. & M., by Supplement No. 1 to WMATC Lawson Tariff No. 1, propose to increase the interline fares between the District of Columbia and the governmental installations in Virginia from 10 tickets for \$3.06 to 10 tickets for \$3.70. Under the present fares, the cost for each ride is 30.6 cents. D. C. Transit receives 13.44 cents as its share, and A. B. & W. or W. V. & M. receives 17.16 cents as their share. Under the proposed 37-cent interline fare per trip, D. C. Transit would receive 17.76 cents and A. B. & W. or W. V. & M. would receive 19.24 cents as their share.

A. B. & W. in Supplement No. 1 to its WMATC Tariff No. 1, and W. V. & M. in its Supplement No. 1 to its WMATC Tariff No. 2, proposed to increase single line fares between the District of Columbia and the governmental installations in Virginia from 20 cents cash or 5 tickets for 95 cents to a new fare of 25 cents cash, or 4 tokens for 85 cents.

The record shows that under the proposed interline fares, D. C. Transit System, Inc., would realize additional revenue in the amount of approximately \$43,000.00, but the Company contends that the interline operation would still be operated at a loss insofar as D. C. Transit is concerned. On an over-all basis, the operating ratio of D. C. Transit would be lowered only by 1/10 of one per cent. The record shows that under the proposed interline fares and the proposed increase in single fares, W. V. & M. would realize approximately \$8,000 increase in revenues. The effect of the proposed fares between the District of Columbia and the governmental installations in Virginia on A. B. & W. will be discussed at a later point in this Order. In view of the fact that the Commission is requiring, by this Order, the establishment of a 35-cent cash joint fare between the District of Columbia and the governmental installations in Virginia, to be divided equally among the carriers, in lieu of the proposed 37-cent ticket fare, the Commission will not discuss the interline proposal further.

In view of the slight effect the fares authorized herein will have on the revenues of D. C. Transit System, Inc., and W. V. & M., the Commission will not attempt to dispose of any other issues involving these companies in this decision.

In addition to proposing an increase in fares between the District of Columbia and the governmental installations in Virginia, A. B. & W. is also proposing to increase its fares between the District of Columbia and other points in Virginia. It proposes to increase its fares between the District of Columbia and its second zone in Virginia from 25 cents cash or 4 tokens for 95 cents to 30 cents cash or 4 tokens for 85 cents, plus 5 cents to be paid with each token. The proposed fares represent an increase in the cash fare of 5 cents and an increase in the token fare of  $2\frac{1}{2}$  cents. The Company proposes to retain the 5-cent differential in fares in effect from one zone to another. The cost of a single fare from the District of Columbia to Zone 3 will be 5 cents more than the fare to Zone 2, and graduates upward from zone to zone to a maximum cash fare of 60 cents. An increase in the present maximum cash fare of 60 cents was not requested because any fare over 60 cents is subject to the federal transportation tax.

A. B. & W. presented its case through the testimony of its Executive Vice President and General Manager, Robert T. Mitchell, and its Accountant, George Snyder. The protestants, Arlington County Board, presented its case through the testimony of Charles Hammond, Executive Assistant to the Arlington County Board. The staff of the Commission presented its case through the testimony of its Chief Accountant, Melvin E. Lewis, and its Chief Engineer, Charles W. Overhouse. One public witness, Mr. Ernest Grove, testified as an individual protestant. The protests

related only to the proposed fare increase between the District of Columbia and points in Virginia other than the governmental installations.

The record shows that A. B. & W. is well managed, conservatively operated and has been rendering adequate public transportation.

There are three major factual issues involved in these proceedings: (1) projected revenues under the proposed fares, (2) projected expenses under the proposed fares and (3) depreciation.

In projecting both revenues and expenses for the proforma year (calendar year 1961), the Company used the actual experience of the Company for the first quarter of 1961. Historically, the first quarter revenues have represented 24.58% of the revenues, and the first quarter expenses have represented 24.40% of operating expenses for the entire year. In projecting revenues, the Company applied the historical factor to the first quarter of 1961 revenues and projected earnings under the present fares for the year 1961. The revenues for the first quarter of 1961 were 3.605% greater than the revenues for the first quarter of 1960. Thus, the Company has estimated an increase in passenger revenues for the proforma year, under present fares, of 3.605%. In projecting revenues under the proposed fares, the Company allowed for a fare resistance factor of slightly less than one-third of one per cent for each one per cent increase in fares. Giving effect to the proposed fares in these cases, including the establishment of joint fares, the Company has projected gross operating revenues in the sum of \$4,409,710.

Based on the operating expenses for the first quarter 1961, and applying the historical factor of 24.40%, the Company estimates that its operating expenses for the proforma year will be approximately \$4,050,710. These expenses include depreciation of buses computed over a 10-year life with a \$25.00 salvage value.

After making proper allowances for income taxes, the Company estimates that if all of the proposed fares are approved, including the joint fares, the Company will earn \$169,345 net, after taxes, for an operating ratio of 96.16%.

The difference between the projections in revenues of the Commission staff and the Company is that the Commission staff did not allow for a fare resistance factor under the proposed fares. This resulted in the Commission staff projecting \$123,700 more revenue under the proposed fares than did the Company, or a total sum of \$4,533,410. In projecting operating expenses, the Commission staff adjusted the first quarter 1961 operating expenses by some \$16,000, maintaining that the weather conditions during the first quarter distorted the operating expenses.

Annualizing this adjustment over the entire year resulted in the staff's reducing the projected operating expenses of the Company by approximately \$65,000.

The staff, in projecting operating expenses, computed depreciation for buses on a 10-year life basis with a 10% of original cost salvage value, and on a 12-year life basis with a six per cent of original cost salvage value. Computing depreciation for all buses on a 12-year life basis, with a six per cent salvage value, has the effect of reducing the Company's annual depreciation expenses by approximately \$123,000. The staff projected annual operating expenses using a 12-year life for depreciation of buses in the amount of \$3,862,430. Making proper allowances for income taxes, the staff estimated net revenues under the proposed fares in the sum of approximately \$311,470 for an operating ratio of 93.13%.

The protestant, Arlington County Board, submitted an alternative fare structure between the District of Columbia and points in Virginia (other than governmental installations) for A. B. & W. calling for a single cash fare of 25 cents and the elimination of the token fare of 4 for 95 cents, with an additional 5 cents cash fare for each additional zone. Arlington County Board, according to the record, would not object to a fare increase in this amount.

Although Arlington County Board did not prepare an exhibit projecting net earnings under the proposed fares, its estimates contained in various exhibits approximate \$272,000 net, after taxes.

The following chart summarizes the projections of the Company and Commission staff, based on the proposed fares, including the establishment of joint fares:

	<u>Company Estimates</u>	<u>Commission Staff Estimates</u>
	(10-year depreciation)	(12-year depreciation)
Gross Revenues	\$4,409,710	\$4,533,410
Operating Expenses	4,050,710	3,862,430
Net Operating Revenues	359,000	670,980
Net After Taxes	169,200	311,470
Operating Ratio	96.16%	93.13%

The record in this case supports the recommendations of the Commission's Chief Engineer, based on the present operating conditions, that A. B. & W. should be required to depreciate its equipment on a 12-year life basis, with a six per cent salvage value. The Company historically has depreciated its buses over a 10-year period. By this Order, the

Commission is requiring A. B. & W. to purchase 20 new air-conditioned buses as the first step towards bringing the service standards of A. B. & W. in line with the Commission's policy. In view of this policy, the Commission is of the opinion that A. B. & W. should be permitted to continue depreciating its non air-conditioned equipment in accordance with its present practice, but that all air-conditioned buses, and all buses placed in service after January 1, 1961, should be depreciated over a 12-year life with a six per cent salvage value. Applying this method of depreciation to the aforementioned projections, the following results are obtained:

	<u>Company Estimates</u>	<u>Commission Staff Estimates</u>
Gross Revenues	\$4,409,710	\$4,533,410
Operating Expenses (12-year life after 1-1-61, and A/C buses)	4,016,520	3,947,180
Net Operating Revenues	393,190	586,230
Net after Taxes	184,790	272,820
Operating Ratio	95.81%	93.98%

An important consideration in this case is the fact that the proforma year used for projection purposes was the calendar year 1961. When all fares authorized herein are in effect, only the months of November and December will remain in the proforma year.

No provision was made in the projections for a three-cent an hour wage increase effective in August 1961, a five-cent an hour wage increase effective in May 1962 and another five-cent an hour wage increase to be effective in November 1962.

The Commission's engineering staff has determined that the minimum of approximately 50 buses are required to operate the base schedules of A. B. & W. The Company has 31 air-conditioned buses in its fleet at the present time and needs 20 air-conditioned buses to enable it to operate its base schedules with air-conditioned equipment. Assuming a minimum cost of approximately \$32,000 each, depreciation expense will be increased by approximately \$50,000 annually.

One of the first major goals of this Commission after its creation was the establishment of joint fares among the bus companies which would permit transit riders to use the facilities of the several companies without paying the full fare assessed by each company. During the course of this hearing, A. B. & W., W. V. & M. and D. C. Transit voluntarily agreed to a joint fare plan. Management of WMA Transit Company has assured the Commission that it will become a party to this joint fare agreement.



The joint fare plan would replace the interline ticket book now in use between the District of Columbia and the governmental installations in Virginia. The present fare paid by holders of interline ticket book users is 30.6 cents for each ride and requires the investment of \$3.06 to purchase 10 tickets. The proposed interline ticket book fare which is pending before this Commission would increase the price of the ticket book to \$3.70 or a cost of 37 cents for each one-way ride. Under the joint fare plan proposed by A. B. & W., W. V. & M. and D. C. Transit, a passenger boarding a D. C. Transit bus anywhere in the District of Columbia may, for a single cash fare of 35 cents, travel to any point in the first zones of the two Virginia companies. The first zone of A. B. & W. includes the governmental installations, while the first zone of W. V. & M. includes the governmental installations and an additional area to be included when the plan goes into effect. A joint fare passenger boarding a D. C. Transit bus in the District of Columbia and requesting a transfer to a Virginia bus and wanting to go beyond the first zones of the Virginia bus companies, would pay the same 35-cent cash fare on the originating bus in the District, but would then be required to pay the additional zone fare in Virginia when boarding the Virginia bus. All interstate riders, regardless of the point of origin or destination, would be offered the same amount of savings on the combination facilities of the companies involved.

Under the fares authorized herein, the minimum cash fare of each company is 25 cents, which means that the 35-cent interline fare represents a savings of 15 cents, compared to the combined single cash fares of the companies. The 35-cent joint fare represents a savings of 6½ cents, compared to the combined token fares of the companies.

The 35-cent joint fare is to be divided equally among the participating carriers.

After a careful consideration of all the evidence, the Commission is of the opinion, and so finds that under the fares authorized herein, A. B. & W. will earn annual net revenues, after all taxes, in the approximate amount of \$225,000 for an operating ratio of 95%. In arriving at these estimated earnings, the Commission has given consideration to the additional expenses to be incurred by A. B. & W. during the calendar year 1962.

The Commission concludes that the fares authorized herein are not unjust or unreasonable and will not result in excessive earnings to the carriers.

IT IS HEREBY ORDERED:

(1) That the fares filed by A. B. & W. in its Tariff MP-I.C.C. No. 42 be, and the same are, hereby approved to become effective October 2, 1961.

(2) That the fares filed by W. V. & M. in Supplement No. 1 to its WMATC Tariff No. 2 be, and the same are, hereby approved to become effective November 1, 1961.

(3) That the fares filed by A. B. & W. in Supplement No. 1 to its WMATC Tariff No. 1 be, and the same are, hereby approved to become effective November 1, 1961.

(4) That the proposed interline fares filed by D. C. Transit System, Inc., A. B. & W. and W. V. & M. Supplement No. 1 to WMATC Lawson Tariff No. 1, Richard F. Lawson, Agent, are hereby disapproved and rejected.

(5) That A. B. & W. and W. V. & M. each file a new tariff, appropriately numbered, incorporating all single-line fares, including the fares authorized herein, for regular route interstate transportation between the District of Columbia and authorized points and places in Virginia.

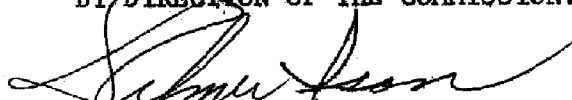
IT IS FURTHER ORDERED, that as a condition to the authority granted herein, that D. C. Transit System, Inc., A. B. & W. and W. V. & M. file with this Commission, on or before September 25, 1961, a joint tariff, to become effective November 1, 1961, in compliance with the proposal of said carriers made at the hearing in this matter and discussed in this Order.

IT IS FURTHER ORDERED that A. B. & W. be, and it is, hereby required to depreciate its air-conditioned buses in its present fleet, and all buses placed in service after January 1, 1961, over a period of twelve years, allowing a salvage value of six per centum of the original cost.

IT IS FURTHER ORDERED that A. B. & W. submit to this Commission confirmation of the fact that it has placed an order for twenty (20) new air-conditioned buses to be delivered not later than June 1, 1962.

IT IS FURTHER ORDERED that at least ten days prior to the effective date of the fare increase, notice of such increase shall be posted in all buses operating over routes affected.

BY DIRECTION OF THE COMMISSION:

  
DELMER ISON  
Executive Director